

MAINE WORKERS' COMPENSATION BOARD COMPLIANCE AUDIT REPORT

August 15, 2000

Chubb & Son
555 Long Wharf Drive
New Haven, CT 06511

Claims Covered by Audit:

1999 Dates of Injury

Companies Covered by Audit:

Vigilant Insurance Company	NCCI # 10693
Federal Insurance Company	NCCI # 12890
Great Northern Insurance Company	NCCI # 14567
Pacific Indemnity Insurance Company	NCCI # 10685
Chubb Insurance Company	NCCI # 21512

Third Party Administration

Federal Insurance Company	TPA # S332
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Examination by:

Michael R. Nadeau, Audit Manager
Marlene Swift, Auditor

Reviewed and Approved by:

Steven Minkowsky, D.D.B.A.

The results of the audit and the procedures followed have been explained to:

Name:	Title:	Date:
John S. Jarocyk	Workers' Compensation Unit Manager	Various

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SUMMARY

The Audit Division of the Maine Workers' Compensation Board examined all claim files for the period under examination (1999) to determine compliance with statutory and regulatory requirements in the following areas:

- Form filing
- Timeliness of indemnity payments
- Accuracy of indemnity payments

Of the 40 claim files audited, there were 18 "lost time" claims and 22 "medical only" claims.

Our audit revealed:

- Form filing compliance ranged from 0% to 80%:
 - ◆ Of the nine First Reports that were filed with the Board (50% compliance), none were filed timely. Seven of the nine were filed *after* either a Memorandum of Payment or a Notice of Controversy.
 - ◆ No WCB-2 (Wage Statement), WCB-2A (Schedule of Dependent(s) and Filing Status Statement), WCB-4 (Discontinuance or Modification of Compensation) or WCB-11 (Statement of Compensation Paid) had been filed for any of the 1999 indemnity claims at the time those files were audited.
 - ◆ Errors, inconsistencies and incomplete boxes were found on the forms filed prior to audit, and on forms filed in response to a request from this Audit Division.
- Fifty percent of initial payments were made timely.
- Nineteen percent of subsequent payments were made timely.
- Missing wage information made it impossible to determine the accuracy of average weekly wages used. It appears that estimated average weekly wages were used to determine benefits.
- Missing wage, dependency and filing status information made it impossible to determine the correct rates for claims. However, of the five indemnity claims audited:
 - ◆ The 1999 Weekly Benefit Table was used to determine the rate for one claim.

- ◆ The AWW was multiplied by 80% to determine the rate for one claim.
- ◆ The former maximum rate of \$441.00 was used instead of \$441.10 for one claim.
- ◆ We were unable to determine how rates were calculated for two claims.
- Partial benefits were paid on one claim. Those benefits were not calculated in accordance with §213. They were calculated by dividing the rate used by 40, then multiplying the quotient by the number of hours lost.

Based on the preceding information, it appears that Chubb & Son has a limited understanding of the Maine Workers' Compensation Law, Rules, form-filing requirements, etc. We recommend that they seek training in these areas before filing the missing and/or incomplete forms (listed on pages 9 through 12) with the Board.

PENALTIES

A. Penalties Allowed by Law

◆ 39-A M.R.S.A. Sec. 359(2)

“In addition to any other penalty assessment permitted under this Act, the board may assess civil penalties not to exceed \$10,000 upon finding, after hearing, that an employer, insurer or 3rd-party administrator for an employer has engaged in a pattern of questionable claims-handling techniques or repeated unreasonably contested claims. The board shall certify its findings to the Superintendent of Insurance, who shall take appropriate action so as to bring any such practices to a halt. This certification by the board is exempt from the provisions of the Maine Administrative Procedure Act.”

◆ 39-A M.R.S.A. Sec. 360(1)(A)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete any report or form required by this Act or rules adopted under this Act;”

Twenty-five forms were not filed (\$2500.00).

◆ 39-A M.R.S.A. Sec. 360(1)(B)

“The board may assess a civil penalty not to exceed \$100 for each violation on any person: Who fails to file or complete such a report or form within the time limits specified in this Act or rules adopted under this Act.”

Four (4) forms were filed late (\$400.00).

◆ 39-A M.R.S.A. Sec. 360(2)

“The board may assess, after hearing, a civil penalty in an amount not to exceed \$1,000 for an individual and \$10,000 for a corporation, partnership or other legal entity for any willful violation of this Act, fraud or intentional misrepresentation. The board may also require that person to repay any compensation received through a violation of this act, fraud or intentional misrepresentation or to pay any compensation withheld through a violation of this Act, fraud or misrepresentation, with interest at the rate of 10% per year.

INDEMNITY BENEFITS

A. Prompt Initial Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-14	Days	Compliant	2	50%
15-28	Days		1	25%
29+	Days		1	25%
Total Due			4	100%
NOC Filed Timely			1	

B. Prompt Subsequent Payment of Benefits

			1999	
			Number	Percent
Check Mailed Within:				
0-7	Days	Compliant	4	19%
8-14	Days		12	57%
15+	Days		5	24%
Total Due			21	100%

C. Accuracy of Average Weekly Wage

			1999	
			Number	Percent
Calculated:				
Correct		Compliant	0	0%
Unknown			5	100%
Total			5	100%

D. Accuracy of Weekly Benefit Rate

			1999	
			Number	Percent
Calculated:				
Correct		Compliant	0	0%
Unknown			5	100%
Total			5	100%

FORM FILING

A. First Report (WCB-1)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	9	50%
Not Filed		9	50%
Total		18	100%

B. Wage Statement (WCB-2)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Not Filed		5	100%
Total		5	100%

C. Schedule of Dependent(s) and Filing Status Statement (WCB-2A)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Not Filed		5	100%
Total		5	100%

D. Memorandum of Payment (WCB-3)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	4	80%
Not Filed		1	20%
Total		5	100%

FORM FILING (Continued)

E. Discontinuance or Modification (WCB-4)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Not Filed		4	100%
Total		4	100%

F. Notice of Controversy (WCB-9)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	4	80%
Filed Late		1	20%
Total		5	100%

G. Statement of Compensation Paid (WCB-11)

		1999	
		Number	Percent
Received at the Board:			
Filed	Compliant	0	0%
Not Filed		5	100%
Total		5	100%